

SERFF Tracking Number:	PRUD-126762798	State:	California
Filing Company:	The Prudential Insurance Company of America	State Tracking Number:	PF-2010-01590
Company Tracking Number:	EDBS-CMN-CA-RR-2010		
TOI:	H16I Individual Health - Major Medical	Sub-TOI:	H16I.005C Individual - Other
Product Name:	CMN-79B		
Project Name/Number:	/		

Filing at a Glance

Company: The Prudential Insurance Company of America

Product Name: CMN-79B

SERFF Tr Num: PRUD-126762798 State: California

TOI: H16I Individual Health - Major Medical

SERFF Status: Pending Industry Response

State Tr Num: PF-2010-01590

Sub-TOI: H16I.005C Individual - Other

Co Tr Num: EDBS-CMN-CA-RR-2010

State Status:

Filing Type: Rate

Reviewer(s): Angela Jang, Marsha Seeley, Sai-on Sam, Ali Zaker-Shahrak, Xiangchen Meng

Authors: Kathleen Carlon-Weir, Ryan Roebuck

Disposition Date:

Date Submitted: 08/10/2010

Disposition Status:

Implementation Date Requested: 12/30/2010

Implementation Date:

General Information

Project Name:

Status of Filing in Domicile: Authorized

Project Number:

Date Approved in Domicile: 07/06/2010

Requested Filing Mode: Review & Approval

Domicile Status Comments:

Explanation for Combination/Other:

Market Type: Individual

Submission Type: New Submission

Group Market Size:

Overall Rate Impact: 10%

Group Market Type:

Filing Status Changed: 08/16/2010

Explanation for Other Group Market Type:

State Status Changed:

Deemer Date:

Created By: Ryan Roebuck

Submitted By: Ryan Roebuck

Corresponding Filing Tracking Number:

PPACA: Not PPACA-Related

Filing Description:

The referenced rate increase is being submitted for your review.

Policy form SA CMN-79B is an existing policy form providing major medical benefits for individuals and families converting from major medical plans. Form SA CMN-79B was issued from 1979 through 1992. This form is no longer marketed in any state. The company is requesting a 10% rate increase for this form in order to reduce future losses and maintain a more reasonable relationship between benefits and premiums. The requested rate will apply to SA CMN-79B policies on their policy anniversary date on or after December 30, 2010. No policyholder will receive a rate increase

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without being given adequate prior notice as required by law.

The following items are included in this submission:

- „X Two copies of this letter and required transmittal form;
- „X Two copies of an Actuarial Memorandum, Actuarial Supplement, and Rate Schedules;
- „X One return envelope.

Company and Contact

Filing Contact Information

Surangi Patel, Vice President, Actuarial surangi.patel@prudential.com
Prudential 973-367-3011 [Phone]
751 Broad Street 973-367-8737 [FAX]
Newark, NJ 07102

Filing Company Information

The Prudential Insurance Company of America CoCode: 68241 State of Domicile: New Jersey
751 Broad Street Group Code: 304 Company Type: Life
Newark, NJ 07102-3777 Group Name: State ID Number: 0174-8
(973) 802-6000 ext. [Phone] FEIN Number: 22-1211670

Filing Fees

Fee Required? Yes
Fee Amount: \$0.00
Retaliatory? No
Fee Explanation: Per CA general information, the fee is billed in arrears.
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Prudential Insurance Company of America	\$0.00		

August 10, 2010

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Rate Regulation Division
45 Fremont Street, 23rd Floor
San Francisco, CA 94105

RE: The Prudential Insurance Company of America
Company NAIC #68241
Rate Increase for Policy Form SA CMN-79B

Dear Commissioner Poizner:

The referenced rate increase is being submitted for your review.

Policy form SA CMN-79B is an existing policy form providing major medical benefits for individuals and families converting from major medical plans. Form SA CMN-79B was issued from 1979 through 1992. This form is no longer marketed in any state. The company is requesting a 10% rate increase for this form in order to reduce future losses and maintain a more reasonable relationship between benefits and premiums. The requested rate will apply to SA CMN-79B policies on their policy anniversary date on or after December 30, 2010. No policyholder will receive a rate increase without being given adequate prior notice as required by law.

The following items are included in this submission:

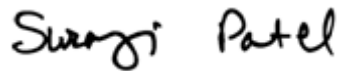
- Two copies of this letter and required transmittal form;
- Two copies of an Actuarial Memorandum, Actuarial Supplement, and Rate Schedules;
- One return envelope.

The contact person for this filing is:

Mr. James Widner
Prudential Insurance Company
Enterprise Discontinued Business Solutions
751 Broad Street, 2nd Floor
Newark, NJ 07102

Thank you for your assistance in reviewing this filing.

Respectfully,

A handwritten signature in black ink that reads "Sue U. Patel". The signature is written in a cursive, flowing style.

Sue U. Patel, ASA, MAAA
Vice President, Actuarial

Enclosures

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form SA CMN-79B

Policy form SA CMN-79B is an individual policy form providing major medical benefits for individuals and families converting from group insurance plans. SA CMN-79B was issued from 1979 to 1992. There were 3 contract holders in force as of December 31, 2009 who were issued a contract in California.

I. Purpose of Filing

This actuarial memorandum has been prepared for the purpose of demonstrating the reasonableness of the requested rates in relation to loss ratio standards, and may not be suitable for other purposes.

II. Description of Benefits

The basic plan provides benefits equal to 80% of eligible charges after satisfaction of a calendar year deductible. This deductible is \$100 plus the amount of benefits payable by any other coverage. The plan also includes a \$1,000 out-of-pocket maximum. The policy includes a lifetime maximum benefit of \$250,000. (The maximum lifetime benefit for mental and nervous conditions is \$20,000.) Eligible expenses include: (1) hospital room and board charges, up to the hospital's standard semi-private room rate, (2) other hospital services and supplies, other than professional care, (3) doctor's services for surgical and other medical care, (4) anesthetics and their administration, (5) ambulance services for local travel, (6) private duty nursing, (7) speech therapy and physiotherapy, (8) drugs and medicines dispensed by a licensed pharmacist, (9) x-ray and lab exams, (10) treatment by X-ray, radium, and other radioactive substances, (11) prosthetics and durable medical equipment. Out-patient mental health benefits are subject to 50% coinsurance.

Other plan variations were made available, including: (1) The \$100 deductible may have been increased to \$200, \$300, \$500, \$750, \$1,000, \$1,500, \$2,000, \$5,000, or \$10,000, (2) Eligible charges may have been limited to a \$1,200 schedule for surgical charges, or \$65 per day for room and board charges and a \$1,000 schedule for surgical charges, (3) the lifetime maximum benefit may have been changed from \$250,000 to \$1,000,000, \$500,000, \$375,000, \$100,000, \$50,000, \$25,000, or \$10,000, and (4) the coinsurance percentage may have been changed from 80% to 75%.

Charges for pregnancy are treated the same as charges for any other illness.

III. Policy Experience

Nationwide experience for the policy form SA CMN-79B is shown in Tables 1 and 2. Table 1 shows historical experience on a statutory accounting basis. Table 2 shows experience on a restated basis for the last five calendar years. Earned premium in Table 2 has been adjusted to the original rate level.

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form SA CMN-79B

**Table 1: Nationwide Historical Statutory Experience
SA CMN-79B**

(1) Calendar Year	(2) Earned Premium	(3) Incurred Claims	(4) Loss Ratio (3) / (2)
2004 and Prior	179,446,834	255,794,414	142.5%
2005	2,107,876	2,513,994	119.3%
2006	2,003,811	1,976,992	98.7%
2007	1,657,192	2,017,558	121.7%
2008	1,380,972	1,807,584	130.9%
2009	1,213,193	1,570,873	129.5%
2005 to 2009	8,363,043	9,887,001	118.2%
Total	187,809,877	265,681,415	141.5%
Total Accumulated @ 4.5% to 12-31-2009	456,880,507	642,882,993	140.7%

**Table 2: Nationwide Restated Experience
SA CMN-79B**

(1) Calendar Year	(2) Earned Premium on Original Rate Basis	(3) Restated Incurred Claims	(4) Restated Incurred Loss Ratio (3) / (2)
2005	69,750	2,513,994	3604.3%
2006	56,622	1,976,992	3491.5%
2007	41,855	2,017,558	4820.4%
2008	33,300	1,807,584	5428.1%
2009	26,988	1,570,873	5820.5%
2005 to 2009	228,515	9,887,001	4326.6%

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form SA CMN-79B

IV. History of Previous Rate Revisions

Previous rate increases since inception are summarized below. SA CMN-79B rate increases appear in Table 3. Rate increases prior to 1993 were not available by state, and therefore, they were estimated using a nationwide data source. These are the rate increases applied in California.

**Table 3: Rate Revision History
SA CMN-79B**

Effective Date	Rate Increase
2/1/1982	49.6%
2/1/1983	47.7%
4/2/1984	94.9%
2/1/1986	55.5%
8/3/1987	30.0%
11/1/1988	30.0%
6/19/1990	20.0%
6/8/1993	20.0%
12/16/1996	25.0%
6/11/2001	25.0%
6/11/2002	25.0%
10/11/2003	35.0%
10/12/2004	30.0%
11/3/2005	30.0%
1/3/2007	10.0%
12/30/2009	10.0%

V. Calculation of the Increase

Calculation of the rate increase consisted of the following steps:

1. *Determine Loss Ratio for Base Period:* The historical premium was adjusted to the original rate basis for this policy form. Rate increases back to inception were used in this process. Rate increases prior to 1993 were not available by state, and therefore, they were estimated using a nationwide data source. The loss ratio for the base experience period (2009) is 5820.5% for SA CMN-79B on this rate basis.
2. *Trend Loss Ratio:* The 2009 loss ratio was then trended forward to the central

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form SA CMN-79B

date of the rate effective period. SA CMN-79B uses Policy Anniversary rate increase implementation basis. The assumed effective date for SA CMN-79B is 12/30/10. Under this assumed effective date, the central date for SA CMN-79B becomes 8/12/11. The trending period for SA CMN-79B is 25.4 months, from 07/01/09 to 08/12/11.

Performing a linear regression on the natural logarithms of the adjusted loss ratios developed an annual trend factor for SA CMN-79B. This is consistent with an exponential or "compound interest" model of trend. The slope of this line yields an annual trend factor of 15.0% for SA CMN-79B. However, according to the Spring 2009 AON Health Care Survey, the medical indemnity trend rate for plans that include pharmacy benefits is 11.9%. Prudential is using the 11.9% as the annual trend factor.

The projected loss ratio, on the original rate basis, is thus:

$$5820.5\% \times (1 + 11.9\%)^{(25.4/12)} = 7382.2\%$$

Prudential uses "customary" charge level measures to reduce claim payments.

3. *Adjust to Current Rate Level:* The projected loss ratios were then adjusted to reflect the current rate level in California. Table 4 shows the original rate level as well as the projected loss ratio on the current California rate level for SA CMN-79B.

Table 4: Current Rate Levels and Projected Loss Ratios

	Projected Loss Ratio on Original Rate Basis	Current Rate Level as a % of the Original Rate Level (including contract constants)	Projected Loss Ratio on Current Rate Basis
SA CMN-79B	7382.2%	7990.4%	92.4%

The projected loss ratio on the current California rate level is calculated as follows:

$$\frac{\text{Projected Loss Ratio on Original Rate Basis}}{\text{Current Rate Level as a \% of Original Rate Level}} = \text{Projected Loss Ratio on Current Rate Basis}$$

ACTUARIAL MEMORANDUM

The Prudential Insurance Company of America Policy Form SA CMN-79B

4. *Calculate Maximum Rate Increase:* The maximum justifiable rate increase was calculated as follows:

$$92.4\% \div 80.0\% - 1 = 15.5\%$$

This assumes target loss ratios of 80.0%.

5. The company is requesting an increase of 10%.

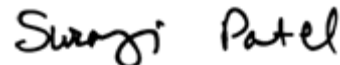
Corresponding rate tables are included with this memorandum. These revised rates will apply to the SA CMN-79B policy on the next anniversary date on or after December 30, 2010. The increase will be applied as 0% change in the "contract constants" (policy fees) and a 10.1% increase in base premium. This yields an average increase of 10%.

VI. Demonstration of Satisfaction of Loss Ratio Requirements

As shown above, the future expected loss ratios exceeds the minimum loss ratio of 80.0%. Since both the past loss ratios shown in Table 1, and the future expected loss ratio exceed the minimum loss ratio, the lifetime expected loss ratio also exceeds the minimum.

VII. Actuarial Certification

In my opinion, this actuarial memorandum has been developed using reasonable and appropriate assumptions and methods. Therefore, I believe the benefits to be reasonable in relation to the resulting rates, under the standards described above.



Sue U. Patel, ASA, MAAA
Vice President, Actuarial

08/10/10

Date

CALIFORNIA DOCUMENT SUBMISSION FORMSET

California Insurer Number: (NOT NAIC Number) 0178-4		FOR DEPARTMENT USE ONLY		
Official Insurer Name: The Prudential Insurance Company of America		Our File #	Fee Code:	
		Reviewer:		
Submitter and Complete Mailing Address: James Widner Prudential Financial 751 Broad Street 2nd Floor Newark, NJ 07102				
Submission Date: August 10, 2010		Dept Action Date:		
Document Form Number	Doc Type ("Policy," etc)	Document Coverage	Department Action	Fee
1. CMN-79B	Rate Increase			
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INSTRUCTIONS: Complete the part of the form to the left of the double vertical line. Enter one document to a numbered line. Use additional formsets if necessary. Be accurate – the copy of this form that we return to you will be your only record of our action on your submission. THIS IS NOT A BILL – DO NOT PAY. YOU WILL RECEIVE A SEPARATE FILING FEE INVOICE SHORTLY; REMIT FEES ONLY WITH THAT INVOICE.				Total \$ Cont'd on ____ Pages

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Attachment "CA Questionnaire.xls" is not a PDF document and cannot be reproduced here.